

Message Text

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22

ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 IO-13 ISO-00 AGR-05 CIAE-00

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R 250650Z AUG 76

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 7326

INFO AMCONSUL KARACHI

USMISSION GENEVA

USEC BRUSSELS 127

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L ISLAMABAD 8879

DEPT PASS STR FOR AMB DENT FROM SMITH

GENEVA FOR SPRUCE

E.O. 11652: GDS

TAGS: ETRD, EEC, PK,

SUBJECT: TEXTILES: US/PAKISTAN DISCUSSIONS ON MFA

REFERENCE: ISLAMABAD 8847

1. IN DISCUSSIONS AUGUST 24 BETWEEN GOP OFFICIALS AND
USTEXTILE TEAM ON MFA FUTURE, EJAZ NAIK, SECRETARY,
MINISTRY OF COMMERCE, OPENED BY SAYING FLATLY THAT GOP
EXPERIENCE WITH MFA SINCE ITS INCEPTION HAD BEEN MOST
UNFAVORABLE, THAT THE GOP HAD SEEN NO RPT NO BENEFITS
ACCRUING FROM ITS ADHERENCE TO THE MFA, AND THAT ACCORD-
INGLY THE GOP WOULD OPPOSE THE MFA'S EXTENSION. OBVIOUSLY
VERY BITTER OVER THE GOP'S EXPERIENCES WITH THE EEC ON
TEXTILE MATTER, NIAK MADE IT ABUNDANTLY CLEAR THAT THESE
EXPERIENCES (THE RESIDUAL RETRAINTS, THE TWO YEAR EEC
DELAY IN RENEGOTIATING ITS BILATERAL WITH THE GOP,
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RECENT FRENCH ADMINSTRATIVE MEASURES INHIBITING GOP COTTON

EXPORTS, ETC.) HAD SO PREJUDICED THE SITUATION AS TO MAKE IT VIRTUALLY IMPOSSIBLE FOR THE GOP TO SUPPORT FMA RENEWAL. HE CLAIMED THAT INSTEAD OF FEWER RESTRAINTS SINCE THE MFA, THE GOP NOW FACED MORE, THAT INTERNATIONAL TEXTILE TRADE HAD HAD RESTRAINTS FOR MORE THEN FIFTEEN YEARS AND "ENOUGH WAS ENOUGH", THAT IMPORTING COUNTRIES DID NOT ABIDE BY MFA ARTICLE 6, PARTICULARLY ARTICLE 6:4, CALLING FOR SPECIAL TREATMENT TO COTTON PRODUCING COUNTRIES.

2. NAIK STATED THAT EVEN WITH MFA, EXPORTING COUNTRIES STILL HAVE NO OPTIONS--THESE COUNTRIES ARE TOLD BY IMPORTING COUNTRIES WHAT THE LIMITS WILL BE AND IF THE EXPORTERS FAIL TO ACCEPT THESE, UNILATERAL LIMITS ARE IMPOSED. NAIK CLAIMED THAT EVEN THE EXISTENCE OF QUOTAS (BINDING OR NOT) HAS A RESTRAINING IMPACT AND FOR A COUNTRY LIKE PAKISTAN WHERE THIRTY-THREE PERCENT OF ITS EXPORTS ARE COTTON TEXTILES, SUCH INTERFERENCE IS INTOLERABLE.

3. AS FAR AS HE WAS CONCERNED, NAIK FELT THE ONLY SOLUTION WAS TO TERMINATE THE MFA AND RELY ON GATT RULES ALONE. SUCH A COURSE WOULD, HE SAID, BE CUMBERSOME AND BURDENSOME TO THE GATT, BUT THAT WAS FOR THE GATT SECRETARIAT TO RESOLVE.

4. AS FAR AS THE RECENT (JUNE 23) TSB DECISION ON THE EEC RESIDUALS WAS CONCERNED, NAIK SAID THE EEC HAS ALREADY HEDGED ON ITS COMPLIANCE AND QUOTE TO MARK MY WORDS UNQUOTE THE EEC WILL NOT MAKE THE APRIL 1, 1977 DEADLINE LET ALONE THE DECEMBER 31, 1976 DEADLINE AND, INDEED, THE EEC WILL IMPOSE NEW UNILATERAL RESTRAINTS AFTER APRIL 1, 1977. HE ADDED THAT EVEN IF THE EEC DID FINALLY LIVE UP TO ITS MFA OBLIGATIONS, IT WOULD BE TOO LATE TO BE OF ANY REAL TRADE HELP TO THE GOP. NAIK WAS ALSO IRATE OVER RECENT SWEDISH RESTRAINT ACTION AGAINST GOP WHICH PROVIDED FOR NO RPT NO ANNUAL GROWTH AND AUSTRALIAN TARIFF QUOTA ACTIONS.

5. NAIK CONCLUDED BY REITERATING HIS PERSONAL DISTASTE FOR AND UNHAPPINESS WITH THE MFA AND REPEATED THAT THE GOP WOULD OPPOSE ITS CONTINUATION AFTER 1977.

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6. COMMENT: ALTHOUGH ATMOSPHERE THROUGHOUT DISCUSSIONS WAS FRIENDLY, NAIK'S PRESENTATION WAS THE MOST FORTHRIGHT AND HARDHITTING STATEMENT AGAINST THE MFA THE US TEXTILE TEAM HAS ENCOUNTERED. IT IS OVERWHELMINGLY CLEAR THAT THE PAKISTANI EXPERIENCE WITH THE EEC HAS BADLY SOURED THE GOP'S OUTLOOK ON THE MFA AND THE USG, WHICH BY THE GOP'S OWN ADMISSION HAS TREATED PAKISTAN QUITABLY, IS

BEING CAUGHT IN THE MIDDLE. WE DREW THE IMPLICATION THAT NAIK WAS SAYING THAT IF THE USG WANTED TO SEE THE MFA RENEWED, THEN THE USG WOULD HAVE TO BRING PRESSURE TO BEAR ON THE OTHER IMPORTING COUNTRIES TO MAKE THEM LIVE UP TO THEIR MFA OBLIGATIONS.

7. WHILE WE HAVE GAINED FROM OUR CONVERSATIONS WITH THE PHILLIPPINES, THAILAND, HONG KONG (EARLIER) AND INDIA A SENSE OF UNHAPPINESS WITH THE MFA BECAUSE OF THE EEC'S BEHAVIOR, NAIK'S STATEMENTS WERE THE FRANKEST AND BITTEREST. IF THE EXPORTING COUNTRIES, PRESENTLY LEAD BY PAKISTAN AND/OR INDIA, ATTEMPT TO IMPEDE OR EVEN BLOCK MFA RENEWAL, IT IS CLEAR THE OVERRIDING REASON FOR SUCH ACTION WILL BE THE DISTRUST ENGENDERED IN THE LDCS BY THE EEC'S SEEMINGLY UNYIELDING BEHAVIOR.
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